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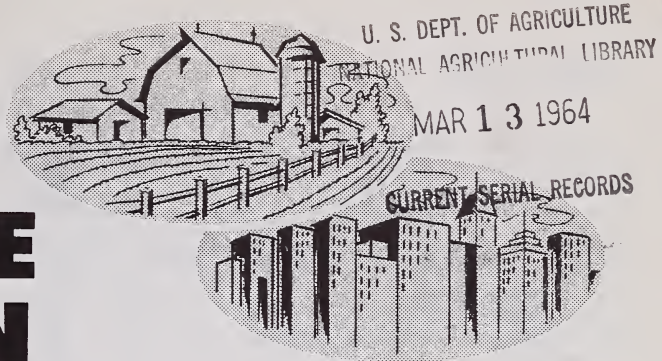
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DEMAND AND PRICE SITUATION



DPS-99

For Release January 31, A. M.

JANUARY 1964

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U. S. DEPARTMENT OF
AGRICULTURE

Table 1.--Economic factors affecting agriculture

Item	Unit or base period	1962		1963			
		Year	Dec.	Year	Oct.	Nov.	Dec.
Industrial production, seasonally adj. <u>1/</u>	: 1957-59=100	: 118	119	124	127	127	127
Final products	: do.	: 120	122	125	128	128	129
Consumer goods	: do.	: 120	121	125	128	128	129
Autos	: do.	: 136	142	149	157	161	160
Equipment, including defense	: do.	: 120	122	124	128	128	129
Materials	: do.	: 117	117	124	126	126	126
Construction: <u>2/ 3/</u>	:	:	:	:	:	:	:
Total outlays	: Mil. dol.	: 59,036	59,271	62,757	65,888	65,928	65,437
Public construction	: Mil. dol.	: 17,558	17,448	18,998	20,280	20,352	19,820
Private residential	: Mil. dol.	: 24,174	24,357	25,690	26,532	26,707	26,600
Housing starts, private only	: Thousands	: 1,463	1,562	1,589	1,847	1,556	1,597
Manufacturers' shipments and inven: <u>2/</u>	:	:	:	:	:	:	:
Total shipments, seasonally adjusted	: Mil. dol.	: 33,308	32,945	---	35,214	35,162	---
Durable goods	: Mil. dol.	: 17,184	16,832	---	18,590	18,348	---
Unfilled orders-shipments ratio <u>4/</u>	:	: 1.43	1.42	---	1.42	1.43	---
Inventory-shipments ratio, total <u>5/</u>	:	: 1.70	1.70	---	1.68	1.70	---
Durable goods	:	: 1.94	1.96	---	1.91	1.94	---
Employment and wages: <u>6/</u>	:	:	:	:	:	:	:
Total civilian employment	: Millions	: 67.8	68.1	68.8	69.1	69.0	69.2
Nonagricultural	: do.	: 62.7	63.2	63.8	64.2	64.2	64.3
Unemployment	: do.	: 4.0	4.0	4.2	4.0	4.3	4.1
Workweek in manufacturing	: Hours	: 40.4	40.2	40.4	40.6	40.6	40.5
Hourly earnings in manufacturing	: Dollars	: 2.39	2.42	2.46	2.47	2.49	2.50
Income and spending:	:	:	:	:	:	:	:
Personal income <u>2/ 3/</u>	: Bil. dol.	: 442.1	452.1	463.0	471.2	472.6	475.2
Consumer credit outstanding <u>1/</u>	: Mil. dol.	: 63,164	63,164	69,775	67,088	67,746	69,777
Automobile	: Mil. dol.	: 19,540	19,540	22,125	21,971	22,107	22,125
Total retail sales, seasonally adj. <u>2/</u>	: Mil. dol.	: 19,613	20,253	20,586	20,716	20,622	21,548
Durable goods	: Mil. dol.	: 6,245	6,488	6,706	6,941	6,786	7,188
Inventory-sales ratio <u>5/</u>	:	: 1.38	1.38	1.37	1.37	1.38	---
Prices: <u>6/</u>	:	:	:	:	:	:	:
Wholesale prices, all commodities	: 1957-59=100	: 100.6	100.4	100.3	100.5	100.7	100.3
Commodities other than farm and food	: do.	: 100.8	100.7	100.7	100.9	100.9	101.2
Farm products	: do.	: 97.7	97.3	95.7	95.1	96.2	93.3
Foods processed	: do.	: 101.2	100.9	101.1	102.2	102.5	100.4
Consumer price index, all items	: do.	: 105.4	105.8	---	107.2	107.4	---
Food	: do.	: 103.6	103.5	---	104.8	105.1	---
Prices received by farmers <u>7/</u>	: 1910-14=100	: 243	243	241	241	241	237
Crops	: do.	: 230	224	238	234	241	241
Livestock and products	: do.	: 255	259	244	247	242	234
Prices paid, interest, taxes and wage rates <u>7/</u>	: 1910-14=100	: 306	309	311	311	311	310
Family living items	: do.	: 294	296	297	297	298	297
Production items	: do.	: 269	273	273	272	271	271
Parity ratio <u>7/</u>	:	: 79	79	78	77	77	76
Farm income and marketings: <u>7/</u>	:	:	:	:	:	:	:
Volume of farm marketings	: 1947-49=100	: 136	162	140	205	188	158
Cash receipts from farm marketings	: Mil. dol.	: 35,921	3,614	36,248	4,517	4,100	3,409

Annual data for most of the items for years 1929, 1941 and 1947-62 appear on page 39 of the April 1963 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.

4/ Unfilled orders as of end of months. 5/ Inventories, book value as of end of month. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture, Agricultural Marketing Service.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, January 23, 1964

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SUMMARY

Rising incomes and increasing population led to more spending for food and farm products in 1963 than a year earlier. But gross income from farming operations increased only slightly, about \$300 million. Production and marketings of farm products were higher than in 1962, but prices received by farmers were a shade lower. An increase in prices received for crops was more than offset by a decline of 4 percent in prices received for livestock and products. Farmers' expenses for production items increased about \$600 million in 1963 from 1962. Higher expenses were largely a reflection of a 2 percent increase in the index of prices paid by farmers. The total quantity of resources used in agriculture changed little from a year earlier. Realized net farm income in 1963 is estimated at \$12.3 billion, down \$300 million from 1962. With a continued decrease in the number of farms, realized net income per farm from farming in 1963 was about the same as the \$3,414 in 1962.

The general level of business in the U. S. economy was record-high with prospects for continued expansion as the Nation entered the new year. For

1963, Gross National Product totaled \$585 billion, up from \$555 billion a year earlier. The 5.4 percent gain over 1962 reflected an above-average increase of 3.8 percent in the output of goods and services and a moderate, 1.5 percent rise in final product prices.

The gain of \$30 billion in GNP from a year earlier included an additional \$18 billion in consumer spending of which about \$2 billion was for food. Rising consumer demand for cars, homes, and appliances contributed much to the general rise in business activity in 1963. Consumer credit reached an all-time high and repayments of installment debt amounted to 13.6 percent of disposable income. A rising level of output led to more employment at higher rates of compensation; however, the rate of unemployment was slightly higher than in 1962. Personal income increased \$21 billion from a year earlier. About \$2.7 billion of the rise in personal income was paid in taxes.

Investments in new construction, durable equipment, and inventories gained about \$3.5 billion in 1963, 4.4 percent above the year before. Expenditures for new plant and equipment increased 4.7 percent and industrial production expanded about 5 percent. However, some idle plant capacity continued to exist in 1963. The rate of inventory accumulation in 1963 was a little slower than a year earlier. Inventory accumulation appeared to about balance with the 5 percent rise in sales. U. S. net exports increased \$0.6 billion in 1963. The deficit in the balance of payments accounts improved slightly during the second half reflecting a reduction in capital outflows, but for the year was larger than in 1962. Government spending gained about \$8 billion in 1963 from 1962; Federal Government spending was about \$4 billion higher.

COMMODITY HIGHLIGHTS

Higher prices for hogs are expected during the second quarter of 1964 from a year earlier reflecting reduced hog slaughter. Inventory of sheep and lambs on feed January 1 was down 11 percent from a year earlier, indicating a possible decline of 8 to 10 percent in lamb slaughter during the first quarter. Cattle and calves on feed January 1 were 1 percent below a year earlier. However, feeders reported intentions as of January 1 to market 6 percent more fed cattle in the first quarter than a year earlier. Fat cattle prices in the second quarter may average somewhat higher than a year earlier.

Total milk production in 1963 is estimated down about 1 percent from the 1962 record. More milk was used for fluid milk and cream and for cheese but butter output declined 9 percent. Prices for all wholesale milk in 1963 averaged at about 1962 levels but may be about 5 cents per hundredweight higher in the first quarter 1964 than a year earlier. In the first quarter CCC purchases of dairy products may be lower than a year earlier.

Egg production during the last half of 1963 was higher than a year earlier and is expected to remain higher during the first half of 1964. Prices

for broilers in the last quarter of 1963 averaged 1/2 cent lower than a year earlier reflecting competition from plentiful supplies of turkeys and red meat. Broiler prices in most areas of the Southeast dropped from 13½ cents per pound in late November to 11 cents in the week before Christmas and then fully recovered by mid-January. Turkey prices rose less than seasonally at year-end but averaged for the year 3 percent above 1962.

World wool consumption and production are at record levels, and stocks in manufacturing countries are relatively low. In early 1964, world wool prices were substantially above a year earlier. Due to declining mill consumption, U. S. wool prices have not advanced as much as prices in other world markets.

Supplies of wheat for the 1963-64 marketing season were 82 million bushels less than the year earlier supplies of 2,420 million bushels; production was up 4 percent but carryover was smaller. Domestic disappearance is expected to continue around the recent level and exports are expected to increase substantially, including Communist-bloc countries. Carryover next July 1, as a result, may be 400 to 450 million bushels below the 1.2 billion bushel carryover a year earlier. Prices received by farmers so far during the current marketing year have averaged about 5 cents per bushel above the loan level.

The rice supply in the United States for 1963-64 is estimated at 77.9 million cwt. (rough rice equivalent), substantially above any recent year and the second largest of record reflecting a larger carryover and a record level of production. Exports are expected to be heavy, possibly setting a new record, and the long time upward trend in domestic disappearance will continue. However, carryover stocks on August 1, 1964, will probably increase for the second consecutive year.

Supplies of feed grains for the 1963-64 marketing season were 4 million tons more than the 215 million ton supply a year earlier; carryover was down but production increased about 9 percent. Domestic consumption is expected to be a little above a year earlier and exports likely will continue at high levels. As a result, carryover at the close of the 1963-64 marketing season may not change materially from the 63 million tons a year earlier. Feed grain prices during the final quarter of 1963 averaged 6 percent more than a year earlier, and wholesale prices of high-protein feeds advanced 2 percent.

An expected 7 percent increase in total disappearance of U. S. edible fats, oils, and oilseeds in 1963-64, particularly in exports, will be met from record supplies. Carryover at year-end likely will be about the same as the high level of a year earlier. Soybean prices during fourth quarter 1963 averaged 35 cents above the \$2.25 national support price and will likely continue strong throughout the marketing year. Gains in soybean production are about in balance with expanding markets.

Supplies of most fresh citrus fruit are expected to be larger than a year earlier but lighter than usual during the first half of 1964. Supplies of processed fruits generally are expected to be somewhat smaller. The 1963 deciduous fruit crop was 1 percent larger than the preceding year's, reflecting increased production of California grapes.

Supplies of fresh vegetables are expected to be smaller this winter than last, because of cold weather damage in winter crop areas. Prices for fresh vegetables may average higher through the winter than in 1963. Supplies of canned vegetables are down moderately from last year; slightly higher prices are likely. But frozen stocks are unchanged, and prices will be about the same as last year. Potato supplies this winter are larger than usual and prices are expected to continue below year-ago levels.

The 1963 cotton crop was estimated, as of December 1, at 15.5 million running bales, 5 percent more than a year earlier--despite a 9 percent reduction in acreage. National average cotton yield topped a bale an acre for the first time, reaching 524 pounds per acre in 1963 compared with 457 pounds in 1962. Disappearance of cotton during the 1963-64 marketing season is expected to be about 2 million bales more than a year earlier reflecting increased mill consumption and higher export levels. However, disappearance is expected to continue below production, and cotton carryover next August 1 is expected to be nearly 2 million bales above the 11.2 million-bale carryover a year earlier.

Total supplies of flue-cured and burley tobaccos in 1963-64 are up 4 and 7 percent, respectively, due to large carryovers for both types and a 5 percent larger burley crop than in 1962. Improved quality in the 1963 flue-cured crop helped increase 1963 exports an estimated 8 percent above 1962. Cigarette consumption by U. S. smokers increased nearly 3 percent in 1963, compared with a 1 percent increase in 1962 and an average annual gain of about 4 percent in 1957-61.

GENERAL AGRICULTURAL SITUATION

**

Domestic and foreign demands for U. S. farm products expanded in 1963 and are expected to continue expanding in 1964. Exports in 1963-64 fiscal year are likely to total around \$6 billion, up from \$5.1 billion a year earlier. This reflects smaller world supplies per capita of agricultural products. Contributing to increased U. S. exports are wheat, cotton, soybeans, milk products, and tobacco. Exports of feed grains are expected to continue around the high levels of a year earlier.

Domestic consumer spending for food in 1963 was nearly 3 percent more than a year earlier, mostly a reflection of increased population and moderately higher retail prices. Consumer incomes were higher in 1963 than a year earlier and food consumption per capita (as measured by a price weighted index) increased in 1963, reflecting a shift to more meat and vegetables but to less fruit, eggs, and oils per person. Red meat consumption was estimated at 170

pounds per capita, 6 pounds more than in 1962. Most of the gain was in beef. Little further change in per capita consumption is expected in 1964, but prospective increases in income and population, and a continued moderate rise in retail prices, point to a further rise in consumer expenditures for food.

The total marketing bill for transporting, processing, wholesaling, and retailing domestic farm food products in 1963 increased more than 6 percent from the year-earlier bill of \$43 billion. This increase in marketing costs about absorbed the increased consumer expenditure for food and resulted in little change from a year earlier in the payment received by farmers for the equivalent farm products in 1963. The farm value of domestically produced food products was \$21.3 billion in 1963. The farm value has changed little since 1951 when it first passed the \$20 billion mark.

Prices Received by Farmers
Slightly Lower in 1963

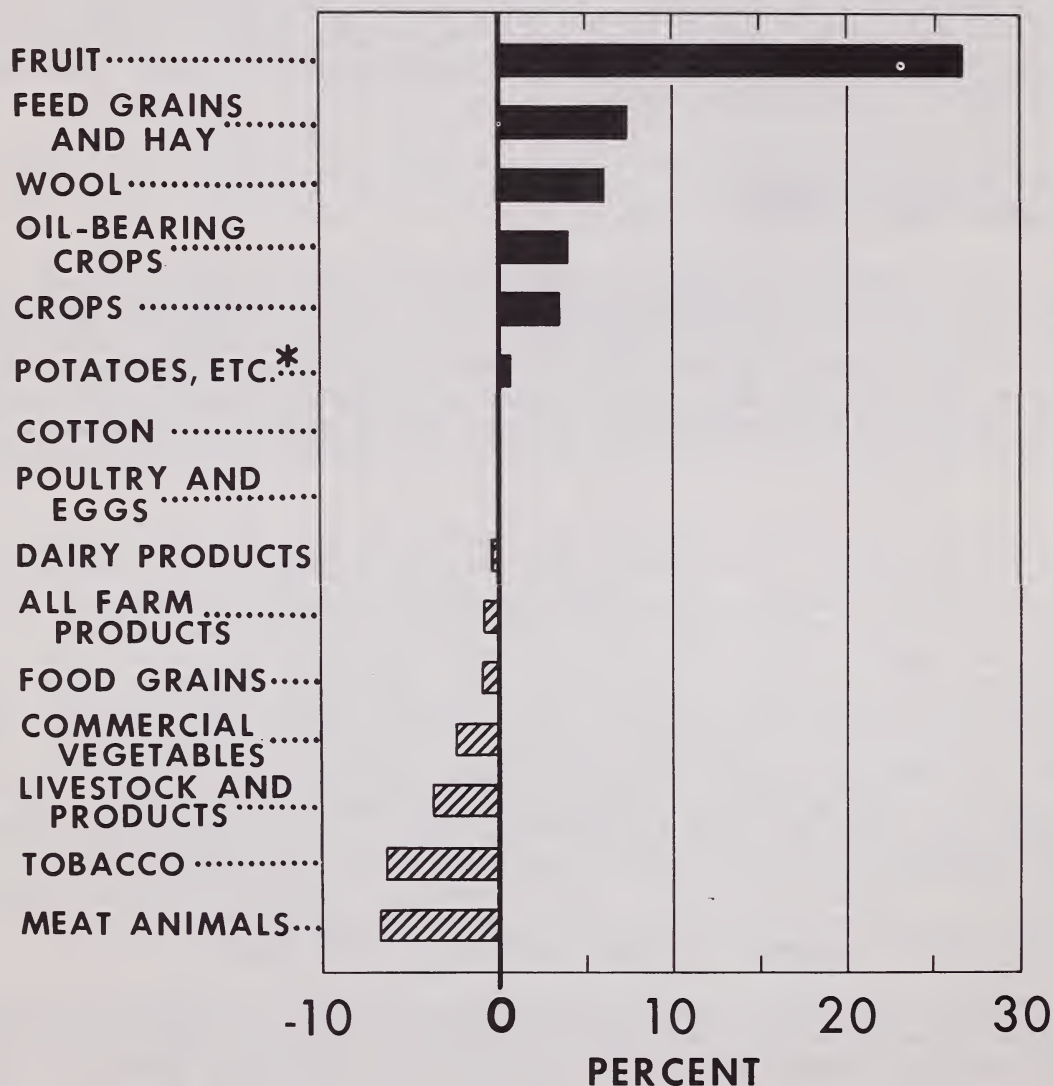
Prices received by farmers in 1963 averaged a shade below a year earlier; higher prices received for crops were more than offset by lower prices for livestock and products (table 2 and see chart). Little price change is expected in 1964 for most commodity groups, although under current legislation prices would be lower for 1964-crop wheat. Prices received by farmers dipped 2 percent in mid-December from the month before. Central market prices in mid-January, and supply-demand conditions affecting 1964-prices, indicate the December dip may have been temporary.

Prices received for livestock and products in 1963 were about 4 percent below a year earlier. The downdrift was distributed among several commodities but principally reflected lower prices for beef and pork. Cattle prices reached a peak in the fall of 1962 but registered declines on a rising volume of marketing throughout most of 1963. At the close of 1963, cattle prices were one-fifth lower than they were in September 1962. Marketings of cattle and calves during first quarter 1964 are likely to be about 6 percent more than were marketed a year earlier, according to January 1 intentions of cattle feeders. The number of cattle on feed for 3 months or more was considerably higher than a year earlier, and the number weighing over 900 pounds increased 11 percent. However, the number of cattle and calves on feed for less than 3 months and of those weighing less than 900 pounds were reduced from year-earlier levels, a reflection of reduced placements. With a continued increase in demand for meat products, prices received for cattle and calves during the first half of 1964 are expected to strengthen from the low levels of late 1963.

Prices received by farmers for hogs weakened early in 1963 when slaughter supplies reflected a 5 percent increase in the June-November 1962 pig crop from a year earlier. Second half prices were also down from a year earlier because

Prices Received by Farmers Slightly Lower in 1963

Percentage Change 1962-1963



* INCLUDES SWEETPOTATOES AND DRY EDIBLE BEANS.

Table 2.--Agricultural prices, marketings and income, 1962 to date

Item	Unit	1962				1963			
		Year	IV	Year	I	II	III	IV	
Prices received by farmers	1910-14=100:	243	244	241	242	241	243	240	
Crops	1910-14=100:	230	225	238	233	245	235	239	
Livestock and products	1910-14=100:	255	260	244	250	238	249	241	
Prices paid, interest, taxes and wage rates									
Family living items	1910-14=100:	306	308	311	311	311	311	311	
Production items	1910-14=100:	294	295	297	297	297	298	297	
	1910-14=100:	270	272	273	274	273	273	271	
Parity ratio		79	79	78	78	77	78	77	
Volume of farm marketings	1947-49=100:	136	181	140	126	108	142	184	
Crops	1947-49=100:	130	216	134	114	61	139	220	
Livestock and products	1947-49=100:	142	154	145	135	143	144	157	
Cash receipts from farm marketings	Bil. dol.	35.9	12.0	36.2	8.2	6.9	9.2	11.9	
Crops	Bil. dol.	15.9	6.5	16.7	3.4	2.2	4.3	6.8	
Livestock and products	Bil. dol.	20.0	5.5	19.5	4.7	4.7	4.9	5.1	
Farmers' realized net income ^{1/}	Bil. dol.	12.6	12.6	12.3	12.7	12.0	12.2	12.3	

^{1/} Seasonally adjusted annual rates.

U. S. Department of Agriculture.

of heavy marketings out of a slightly larger spring pig crop. For the year, prices received by farmers for hogs averaged 8 percent below 1962. With lower hog prices and higher corn prices, the hog-corn ratio was lower in 1963 than in recent years; 13.6 bushels of corn were equal in value to a hundredweight of hog compared with 16.4 bushels in 1962. Hog prices during the first half of 1964 are expected to average higher than the \$14.63 in January-June 1963 because the June-November pig crop was 4 percent smaller than a year earlier. In addition, farmers reported December intentions to have 6 percent fewer sows farrow than a year earlier for the spring pig crop in 1964. Broiler prices reached lows in late-November and mid-December when competition from other meats was pronounced, but prices rebounded by mid-January.

Prices received by farmers for all crops in 1963 averaged 3.5 percent higher than a year earlier although prices were lower for food grains, vegetables, and tobacco. Lower food grain prices were largely a result of changes in the support program for wheat which permitted lower market prices while providing payments to farmers to maintain income. Prices received for wheat during the 1963-64 marketing season, indicated at about 8 percent lower than the year before, may average around 5 cents per bushel above the loan rate of \$1.82.

With demand for soybeans continuing to expand faster than supplies, soybean prices were higher in 1963 than in 1962; the index of prices received for oil-bearing crops averaged 4 percent above 1962. Prices received for hay rose nearly \$2 per ton, reflecting smaller hay supplies and less productive pastures than in 1962. Corn prices rose about 10 cents per bushel from the 1962 calendar year reflecting continued strong domestic and foreign demand for feed grains and tight market supplies of corn and sorghum grain.

Prices received for fruit showed the largest percentage gain of the various commodity groups, rising to a level of 27 percent above a year earlier (see chart). Supplies of fruit in 1963 were smaller than usual although moderately larger than the reduced supplies of a year earlier.

Farm Output Increases

U. S. farm output in 1963 is estimated about 4 percent above a year earlier (table 3). The rise is generally distributed through both the crop and the livestock sectors of the agricultural economy. The rise in output of livestock and products was due principally to more beef and pork in 1963. More poultry and eggs but less milk were produced. Livestock production likely will increase again in 1964. Prospects are for more beef, poultry, and eggs; but less pork, lamb, and wool.

Record-high crop production in 1963 reflected a 2 percent increase in acreage and generally higher yields despite widespread shortage of moisture. Harvests were larger than a year earlier for wheat, corn, grain sorghums, soybeans, cotton, and sugar beets; but smaller for oats, barley, rye, hay, and tobacco. Corn harvest for grain passed the 4 million bushel mark for the first time and cotton yields were estimated at an all-time high. With average growing conditions and continued technological advance, crop output is likely to continue at a high level in 1964.

Table 3.--Farm production: Index numbers of total farm output, gross production of livestock and crops, and related indexes, United States 1/

(1957-59=100)

Item	1960	1961	1962	Preliminary 1963 <u>2/</u>
Farm output	106	107	108	112
All livestock and livestock products <u>3/</u>	102	106	107	109
Meat animals	103	106	108	111
Dairy products	101	103	104	103
Poultry and eggs	104	112	111	114
All crops <u>4/</u>	108	107	107	112
Feed grains	109	99	101	110
Hay and forage	103	102	107	105
Food grains	115	106	98	102
Vegetables	103	110	109	109
Sugar crops	102	115	118	152
Cotton	116	116	120	126
Tobacco	112	119	134	131
Oil crops	105	122	122	129
Fruits and nuts	98	109	98	101

1/ For historical data and explanation of indexes, see, "Changes in Farm Production and Efficiency," USDA Statistical Bulletin No. 233.

2/ Preliminary indexes for 1963 based on December 1963, Annual Summary, "Crop Production" report and other releases of the Crop Reporting Board, SRS.

3/ Gross livestock production includes minor livestock products not included in the separate groups shown.

4/ Gross production includes some miscellaneous crops not in the separate groups shown.

Prepared jointly by Economic Research Service and Statistical Reporting Service.

December indications were for moderately larger winter wheat acreage. Soybean and sugar beet acreage may increase from a year earlier. Citrus production in 1963-64 will likely be a little smaller than in 1962-63, a continuing effect of the freeze damage of a year ago, particularly in Florida.

Corn and Soybean Stocks Higher,

Wheat Stocks Lower

Stocks of grains in all positions reported as of January 1, 1964 indicate increases over a year earlier in feed grains and soybeans and a decline in wheat (table 4). All wheat stored on January 1 totaled 1,514 million bushels, the smallest January 1 holdings since 1958. Both farm and off-farm stocks were smaller than a year earlier.

Table 4.--Stocks of grains, January 1, 1964 with comparisons

Grain and position	January 1, 1962	January 1, 1963	January 1, 1964
	<u>Mil. bu.</u>	<u>Mil. bu.</u>	<u>Mil. bu.</u>
WHEAT			
On farms <u>1/</u>	359.5	316.5	308.6
Off farms <u>2/</u>	1,623.1	1,500.0	1,305.3
Total*	1,982.6	1,816.5	1,613.9
CORN			
On farms <u>1/</u>	3,021.6	2,964.9	3,216.6
Off farms <u>2/</u>	1,472.9	1,251.7	1,136.9
Total*	4,494.6	4,216.7	4,353.4
OATS			
On farms <u>1/</u>	694.5	693.4	687.9
Off farms <u>2/</u>	80.1	77.1	85.0
Total*	774.7	770.5	772.9
BARLEY			
On farms <u>1/</u>	181.2	215.1	199.1
Off farms <u>2/</u>	154.3	130.7	130.2
Total*	335.5	345.8	329.2
SORGHUM			
On farms <u>1/</u>	148.5	176.9	188.4
Off farms <u>2/</u>	889.7	846.5	833.1
Total*	1,038.2	1,023.4	1,021.5
SOYBEANS			
On farms <u>1/</u>	258.4	226.6	261.7
Off farms <u>2/</u>	262.2	303.3	297.5
Total*	520.6	529.8	559.2

1/ Estimates of the Crop Reporting Board.2/ Including grain owned by Commodity Credit Corporation.

* Totals from unrounded data.

Feed grain stocks totaled 171 million tons, 2 percent larger than a year earlier. The increase reflected a 3 percent increase in stocks of corn from 4,217 million bushels on January 1, 1963 to 4,353 million on January 1, 1964. On-farm stocks of corn increased to a record 3,217 million bushels, while corn in other locations declined. Stocks of oats and sorghum were about the same as a year earlier, but barley stocks were about 5 percent smaller.

Soybean stocks set a new high on January 1, totaling 559 million bushels, up 6 percent from the previous high of 530 million on January 1, 1963.

Realized Net Farm
Income Smaller in 1963

Cash receipts from marketing farm products in 1963 increased about \$300 million from 1962 to \$36.2 billion; prices received by farmers were slightly below a year earlier but production and marketings were higher (table 2). Crop marketings and prices each increased from year-earlier levels. Crops with substantial gains in cash receipts included cotton, soybeans, and sugar. However, an increase in livestock and products marketings was more than offset by lower prices, principally for beef and pork, leading to a 2 percent reduction in cash receipts for marketing livestock and products. Realized gross farm income in 1963 also rose about \$300 million from 1962 to an estimated \$41.1 billion reflecting higher cash receipts from marketings. Changes in the imputed value of home consumption and rental value of farm dwellings were about offsetting. Government payments apparently were little changed from the 1962 level.

Farmers' expenses for production items have been rising in recent years and in 1963 increased about \$600 million from the year before to total \$28.8 billion. The rise in 1963 was primarily a reflection of increased prices paid by farmers. The total quantity of inputs was little changed; more capital inputs were used but less labor was employed. Farm employment in 1963 was 3 percent less than in 1962; the decrease in family labor was slightly larger than that for hired labor. Land in farms in the 48 contiguous States totaled 1,159,660,000 acres in 1963, less than $\frac{1}{2}$ percent below 1962. A further $\frac{1}{2}$ percent decrease is likely in 1964.

Prices paid by farmers increased about 2 percent in 1963; the parity index--or index of prices paid by farmers for production and family living items, interest and taxes payable per acre, and wage rates --rose to 311 percent of its 1910-14 average, up from 306 a year earlier. The composite wage, reflecting cash payments for all hiring arrangements, rose 3 percent from a year earlier to 88 cents per hour.

The parity ratio, or ratio of prices received to prices paid by farmers, was 78 in 1963, down 1 point from a year earlier and only 1 point above the 1939 level of 77. Comparing the 1963 parity ratio with that of 1939 does not explain changes in farm income between the two periods because: The volume of farm production was two-thirds more in 1963 than in 1939; productivity of farm resources has been rising faster than factor prices; and Government programs which maintain income to farmers through payments rather than through commodity prices added about \$1 billion more to farm income in 1963 than in 1939.

The further tightening of the cost-price squeeze in 1963 from the year before had consequences for farm income. Higher prices paid and lower prices received in 1963 squeezed farm income below 1962 levels despite an increased volume of production and marketing, and little change in the quantity of resources used. Realized net farm income in 1963 was an estimated \$12.3 billion, down \$300 million from a year earlier (table 2).

Realized net income per farm in 1963 was about the same as the record-high \$3414 a year earlier; aggregate income was reduced but so was the number of farms. The number of farms decreased in 47 of the 48 contiguous states in 1963 to a U. S. total of 3,572,700 units, down 3 percent from 1962. A further decline of 3 percent is expected in 1964 to a level 28 percent below a decade earlier.

Net income in the postwar period has been relatively higher than the U. S. average on farms in the Pacific States of Washington, Oregon, and California, and relatively lower on farms in the East South Central States of Kentucky, Tennessee, Alabama, and Mississippi. However, with an upward trend in per farm income in each region in recent years, income variations relative to the U. S. average have been narrowing and income has been appearing more evenly distributed. Realized net income per farm in the Pacific States was 73 percent above the U. S. average in 1962, down from 112 percent in 1950. Similarly, realized net income per farm in the East South Central States was 39 percent below the U. S. average compared with 42 percent below in 1950. On the other hand, the dollar-difference in income between the high-income and low-income regions has been widening; the gap in 1962 between per farm income in the Pacific and East South Central Regions was \$600 more than in 1950.

FACTORS AFFECTING THE DEMAND FOR FARM PRODUCTS

Gross national product was at a \$600 billion annual rate in fourth quarter 1963, based on preliminary estimates. The rise of \$11.3 billion from the previous period included a \$5.1 billion increase in consumption, a \$3.3 billion increase in private investment outlays, and a \$2.3 billion increase in government purchases of goods and services. Consumer incomes, after taxes, rose \$6.9 billion from the third quarter and were 5 percent above the fourth quarter of 1962.

Industrial production expanded during every quarter of 1963. In October-December the Federal Reserve index was 127 percent of its 1957-59 average, 1 percent above the quarter before and 7 percent above a year earlier. Associated with the increase in production was a rise in employment to 69.1 million persons in the fourth quarter. This was a slight increase over the third quarter and about 1.2 million above a year earlier. The rise in employment in the fourth quarter about equalled the expansion in the labor force. Thus, the rate of unemployment was 5.6 percent, about the same as that of the third quarter but slightly above its year-earlier level.

Table 5.--Other economic factors affecting agriculture
(Seasonally adjusted annual rates)

Item	Unit	1962				1963				Year	
		IV	I	II	III	IV	I	II	III		
Gross national product	Bil. dol.	565.2	571.8	579.6	588.7	600.0	585.0				
Personal income	Bil. dol.	449.9	453.9	459.9	465.2	473.0	463.0				
Disposable personal income	Bil. dol.	391.4	394.5	400.0	404.4	411.3	402.6				
Personal consumption expenditures	Bil. dol.	362.9	367.4	370.4	374.9	380.0	373.2				
Durable	Bil. dol.	50.5	50.6	51.0	50.8	53.5	51.5				
Nondurable	Bil. dol.	163.6	165.3	165.9	168.6	168.8	167.2				
Services	Bil. dol.	148.9	151.4	153.5	155.5	157.6	154.5				
Personal saving	Bil. dol.	28.5	27.1	29.6	29.5	31.3	29.4				
Net government receipts	Bil. dol.	114.8	118.8	122.5	125.1	--	---				
Government purchases	Bil. dol.	120.2	123.0	123.8	125.7	128.0	125.1				
Deficit or surplus (on income and product account)	Bil. dol.	-5.4	-4.2	-1.3	-.6	--	---				
Gross private domestic investment	Bil. dol.	78.8	77.8	80.7	83.7	87.0	82.3				
Fixed investment	Bil. dol.	61.7	59.7	62.6	64.7	66.3	63.2				
Change in business inventories	Bil. dol.	3.4	4.9	3.8	4.0	5.0	4.4				
Expenditures for plant and equipment	Bil. dol.	37.95	36.95	38.05	40.00	40.75	39.05				
Corporate profits (before taxes)	Bil. dol.	49.3	48.8	50.1	52.2	---	---				
Net exports of goods and services	Bil. dol.	3.3	3.6	4.8	4.3	5.0	4.4				
Overall foreign payments balance	Mil. dol.	-3,172	-3,460	-4,956	-1,024	--	---				
Population	Millions	187.7	188.4	189.0	189.7	190.4	189.3				
GNP implicit price deflator	1963=100	98.9	99.3	99.8	100.2	100.7	100.0				
Per capita disposable personal income (1963 prices)	Dollars	2,102	2,102	2,119	2,128	2,150	2,127				

Income and Expenditures

Personal income expanded steadily throughout 1963 and in the fourth quarter was at a \$473 billion annual rate, 5 percent above a year earlier. Wage and salary disbursements, which account for two-thirds of personal income, increased to a \$319.4 billion rate in the fourth quarter of 1963 up \$17.9 billion from a year earlier. Dividend income rose \$1.7 billion or 10 percent from fourth quarter 1962 and interest income was at a \$33.5 billion annual rate, up \$2.4 billion from a year earlier.

During fourth quarter 1963, 13 percent of personal income went to pay taxes an annual rate of \$61.7 billion. Thus, disposable income was at a \$411.3 billion rate in the fourth quarter of 1963, \$19.9 billion above a year earlier. Consumption expenditures increased somewhat less than disposable income and the rate of saving rose to 7.6 percent of after tax income from 7.3 percent a year earlier. Passage of the proposed tax bill would shift a percentage of the income flow from personal taxes to disposable income. The size of the increase in disposable income in the first quarter depends on the final form and timing of the tax legislation being considered in Congress. In the second quarter and beyond, current legislative proposals indicate that after-tax personal incomes would probably be boosted initially by at least a \$6 billion annual rate which would rise further as the full force of the proposed personal tax reduction comes into play.

Consumer Demand Continues Strong

Consumer expenditures in the fourth quarter were at a \$380 billion annual rate, \$5.1 billion above the third quarter and \$17.1 billion more than a year earlier. Outlays for durable goods pushed upward in the fourth quarter to a \$53.5 billion annual rate after having declined slightly in the previous quarter. Sales of automobiles resumed their upward trend in the fourth quarter after a sluggish third quarter. Unit sales in 1963 totaled 7.7 million, slightly above the previous record in 1955. Imports accounted for about 400,000 of the total with domestic sales slightly below their previous record also set in 1955. Spending for other durable goods also rose in the fourth quarter with increased spending for furniture and household appliances, particularly refrigerators, washing machines, and color television sets.

Consumer spending for nondurable goods, which spurted \$2.5 billion in the third quarter, rose only \$.2 billion in the fourth quarter to a \$168.8 billion seasonally adjusted annual rate. Much of the sluggishness in nondurables was due to the unusually mild weather over much of the country during fall and early winter. Sales by wearing apparel and shoe stores were below third quarter levels. Expenditures for clothing and shoes were at a \$30.5 billion annual rate in October-December, \$.4 billion below the previous 3 months and only \$0.6 billion above the fourth quarter of 1962.

Expenditures for services continued their uptrend in the fourth quarter, reaching a \$157.6 billion annual rate, \$2.1 billion above the previous quarter and \$6.7 billion above a year earlier.

Private Investment

Private investment expenditures rose \$3.3 billion in the fourth quarter from the third to an \$87.0 billion annual rate. Included in this rise was a \$0.8 billion increase in expenditures for residential construction, and a \$1.4 billion increase in business outlays for new construction and new equipment. Inventory accumulation by business rose \$1.1 billion over the third quarter rate of \$4.5 billion.

Residential Outlays Up

Residential construction in the fourth quarter was at a \$26.7 billion annual rate, compared to \$25.9 billion in the third quarter and \$23.7 billion a year earlier. The record level of residential construction activity in the fourth quarter reflected a sharp upward spurt in housing starts in September and October. Starts in those 2 months were at a 1.73 and 1.82 million annual rate, respectively, compared to a monthly average rate of 1.46 million in 1962 and 1.59 million in 1963. November-December starts were at a 1.56 million annual rate; but the number of new housing units authorized, which also rose sharply in September and October, continued near its September-October average.

Business equipment spending rose \$1 billion in the fourth quarter from the third, totaling \$32.6 billion, annual rate. Expenditures for producers' durable equipment rose steadily through the last 3 quarters of 1963 after having declined somewhat in the first quarter. Inventory investment by businesses in the fourth quarter, at a \$5.3 billion annual rate, was up \$1.1 billion from the previous quarter and \$1.3 billion from a year earlier. For the past 2 years the combined inventory to sales ratio for manufacturing and trade industries has ranged between 1.48 and 1.54. This suggests that businesses have not permitted an excessive buildup in inventories.

New construction by businesses and other private institutions edged up to \$22.4 billion in the fourth quarter from \$22.0 billion in the third and from \$21.2 billion a year earlier. Private nonresidential construction spending has increased in every year since 1950, except 1958, a recession year. Included in this "other construction" category are public utilities, industrial and commercial construction, farm construction, and private institutional buildings, such as churches, schools and hospitals.

Plant and Equipment Spending to Rise

According to an SEC-Commerce November survey, businessmen plan a moderate increase in plant and equipment outlays during the first half of 1964. Expenditures in the first quarter are programmed at a \$40.8 billion annual rate, the same as

in the fourth quarter of 1963, but in the second quarter they are expected to rise to a \$41.7 billion rate.

Manufacturers' outlays for plant and equipment, which were 8 percent above a year earlier during the fourth quarter of 1963, are expected to rise more slowly in the first half of 1964. At a fourth quarter rate of \$16.3 billion, expenditures by manufacturers would rise to \$16.6 billion in the second quarter of this year, if their reported plans are realized. Plans of nonmanufacturing businesses indicate a rise from the \$24.5 billion rate in the fourth quarter to a \$25.2 billion rate in the second quarter of this year.

Government Demand

Purchases of goods and services by Federal, State and local governments rose to a \$128 billion annual rate in the fourth quarter. This was \$2.3 billion above the previous quarter and \$7.8 billion above the fourth quarter of 1962.

Federal purchases rose only \$0.6 billion in the fourth quarter after having declined slightly in the third quarter. At a \$67.0 billion annual rate in the fourth quarter, Federal outlays were \$3.4 billion above the same period in 1962. Expenditures for defense related activities, which account for over 85 percent of Federal purchases, were at a \$57.3 billion annual rate in the fourth quarter of 1963. This was less than \$1 billion above the first quarter.

Purchases of goods and services by State and local governments rose \$1.6 billion in the fourth quarter from a \$59.4 billion annual rate in the third. A major part of the increase in outlays was an increase in payrolls. State and local employment increased by about 150,000 persons from the third to the fourth quarter, compared to a rise of about 25,000 persons from the second to the third quarter.

Production and Employment

The Federal Reserve index of industrial production in the fourth quarter was at 127 percent of its 1957-59 average. This compared with 126 in the third quarter and 119 in the fourth quarter of 1962. Most of the rise in industrial output over year-earlier levels occurred in the spring and early summer. In July, the index of production reached a record-high, 127. Some of the gain to July was lost in August and September, but renewed expansion in the fourth quarter brought the index of output back to 127.

Expansion in industrial production in 1963 was fairly general with fourth quarter output of almost all major industries substantially above year-earlier levels. Output of consumer goods in October-December was more than 6 percent above year-earlier levels with increased output of automobiles, furniture, appliances, food products, and most other consumer goods.

Production of most types of business equipment also increased substantially during 1963, stimulated by a 5 percent increase in plant and equipment outlays. Associated with the rise in consumer, business, and government demand

for goods and services in 1963 was an increase in production of the mining and utility industries. The combined output of coal, oil and gas in the fourth quarter of 1963 was 3 percent above the last three months of 1962. Output of iron ore and other metals was almost 10 percent above year-earlier levels. Output of electric and gas utilities in the fourth quarter was 8 percent above a year earlier.

Employment Up Slightly

Employment in the fourth quarter of 1963 averaged 69.1 million persons, about 50,000 persons above the previous quarter, and 1.2 million persons more than in the last 3 months of 1962. The labor force increased by about the same number of persons as employment. Thus, the seasonally adjusted rate of unemployment in the fourth quarter of 1963 was unchanged from the 5.6 percent of the previous quarter and was slightly above the fourth quarter of 1962.

During 1963, agricultural employment continued its secular decline, but nonagricultural employment rose some 1.2 million persons. Increases of about 200,000 in manufacturing, 250,000 in wholesale and retail trade, 300,000 in the service industries and 300,000 in State and local government accounted for most of the rise in employment in 1963 from 1962. Federal Government employment increased by about 10,000 persons. Small increases in employment occurred in construction, mining, and other industries.

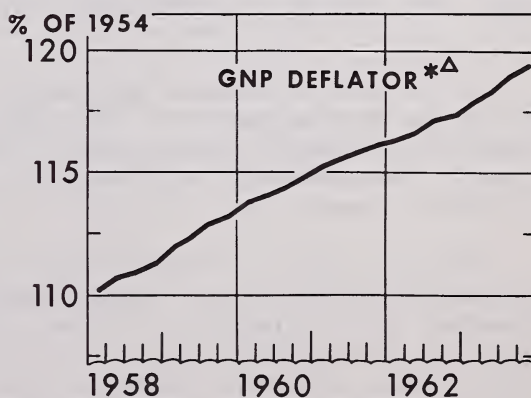
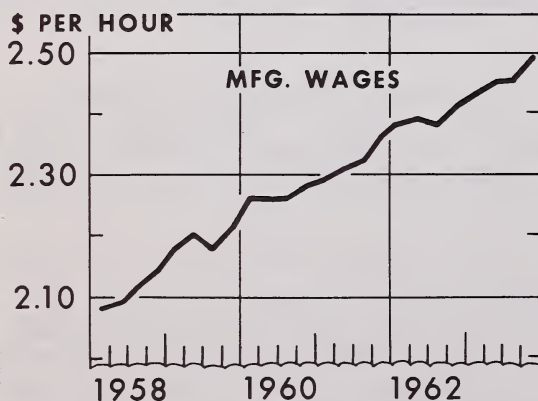
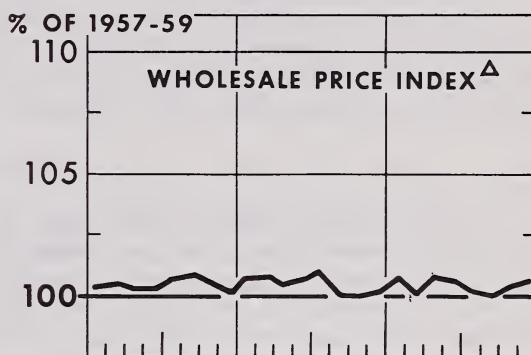
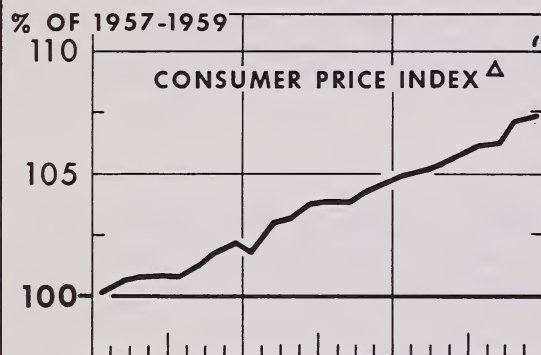
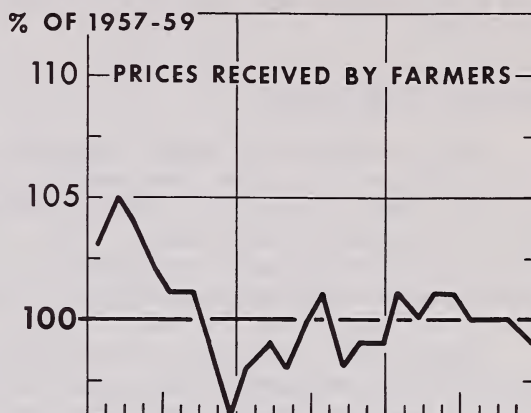
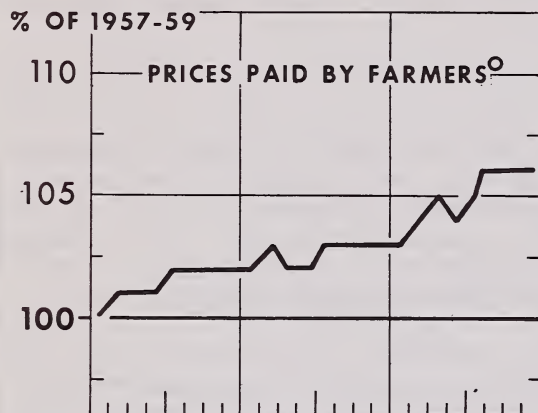
Prices

Urban consumer prices continued to edge up in the fourth quarter and were slightly more than 1 percent above the 105.9 price index of a year earlier. Retail food prices, although down somewhat from the relatively high third quarter, were about 1 percent above the fourth quarter of 1962. Prices of commodities other than food also rose from year-earlier levels, but by slightly less than 1 percent. The cost of services continued upward through 1963 and, in the fourth quarter, was more than 2 percent above the last 3 months of 1962.

Prices paid by farmers for family living items were about 1 percent higher in the fourth quarter of 1963 than a year earlier. The rise was about the same as for urban consumer prices. Prices paid by farmers for food, clothing, autos, and household utilities were higher, those of household furnishings were slightly lower.

Wholesale prices averaged about the same in the fourth quarter as a year earlier and continued little changed from the 1957-59 average. Declines in farm product prices, industrial crude materials prices, and consumer finished goods prices were about offset by rises in prices of processed foods and producer finished goods. Wholesale prices in October-December of 1963 were 100.5 percent of 1957-59 average prices, about the same as a year earlier.

MAJOR PRICE MOVEMENTS, 1958-63 QUARTERLY



SOURCES: U. S. DEPARTMENTS OF AGRICULTURE, COMMERCE AND LABOR.

*1963 IV QUARTER ESTIMATED.

INTEREST, TAXES, AND WAGE RATES.

[○]INCLUDES FAMILY LIVING ITEMS, PRODUCTION ITEMS,

^ΔSEASONALLY ADJUSTED.

Selected Price Trends

Generally, prices at the final demand level continued upward in 1963, and prices at the wholesale level continued relatively stable (see chart). Wages and salaries rose in manufacturing and service industries. Rising costs of services are evidently reflected in moderately increasing prices for consumer goods and final products.

Farm product prices and wholesale prices generally have changed little in recent years. These indices reflect mainly the cost of goods in the raw material stage and in the various stages of processing before entering the retail distribution channels. Increased productivity in manufacturing and agriculture appears to have largely offset rising wage rates.

FOREIGN TRADE

U. S. Agricultural Exports
Rising in 1963-64

Estimated exports of U. S. agricultural commodities in the first half of the current fiscal year were \$3 billion, supporting expectations of record exports of around \$6 billion for the year as a whole. Agricultural exports totaled \$2,378 million in July-November 1963, 19 percent above a year earlier. (table 6). The gain was chiefly in wheat, cotton, and feed grains; but exports of dairy products, tobacco, soybeans and most other commodities also increased. Agricultural exports are expected to continue at record levels through the

Table 6.--Value of U. S. agricultural exports of major commodities, July-November 1962 and 1963

Commodity	July-November		Percentage change
	1962	1963	
	<u>Mil. dol.</u>	<u>Mil. dol.</u>	<u>Percent</u>
Cotton, excluding linters	169	223	32
Dairy products	55	81	47
Feed grains, excluding products	288	319	11
Fruits and preparations	134	133	-1
Soybeans	185	202	9
Tobacco, unmanufactured	202	224	11
Vegetables and preparations	59	68	15
Wheat and flour	406	558	37
Other	500	570	14
Total	1,998	2,378	19

fiscal year. In each of the 2 preceding years, agricultural exports totaled \$5.1 billion. Most of the increase this year will likely occur in commercial sales, which may rise to \$4.2 billion from \$3.6 billion in 1962-63. Exports under Government programs are also expected to rise slightly from the \$1.5 billion last year.

A large part of the increase in agricultural exports in the current fiscal year is in grains, particularly wheat and corn. Reduced production of wheat in Western Europe and the Communist-bloc countries increased import requirements in these areas. Wheat exports may increase more in the latter half of the fiscal year and reach 1 billion bushels for the year. In July-November, exports of feed grains advanced over year-earlier levels by 1 percent in quantity and 11 percent in value. Feed grain exports are expected to continue strong through the first quarter of 1964 and likely will total well above the year earlier period when the longshoremen's strike on the Eastern coast interrupted export shipments.

Cotton exports in the current season are recovering from a decline in 1962-63 and are expected to total 5.2 million bales. A quantity of cotton equal to that sold from CCC stocks under the export sales program must be exported in 1963-64 without assistance under the payment-in-kind program. CCC sales under the new program totaled 3.8 million bales through January 15. Exports under payment-in-kind through December 27 totaled less than 1 percent of the 1.8 million bales a year earlier. Most of the increase in cotton exports will likely be in commercial sales, since authorizations for exports under P.L. 480 are considerably lower than a year ago.

Exports of dairy products, particularly butter, are increasing substantially in the current fiscal year. The increase in butter exports is due to decreased production of butter abroad and smaller stocks in European trade channels as well as the increased exports of butter under Government programs. Exports of nonfat dry milk for dollars and under P.L. 480 are also increasing.

Agricultural Imports Increasing in 1963-64

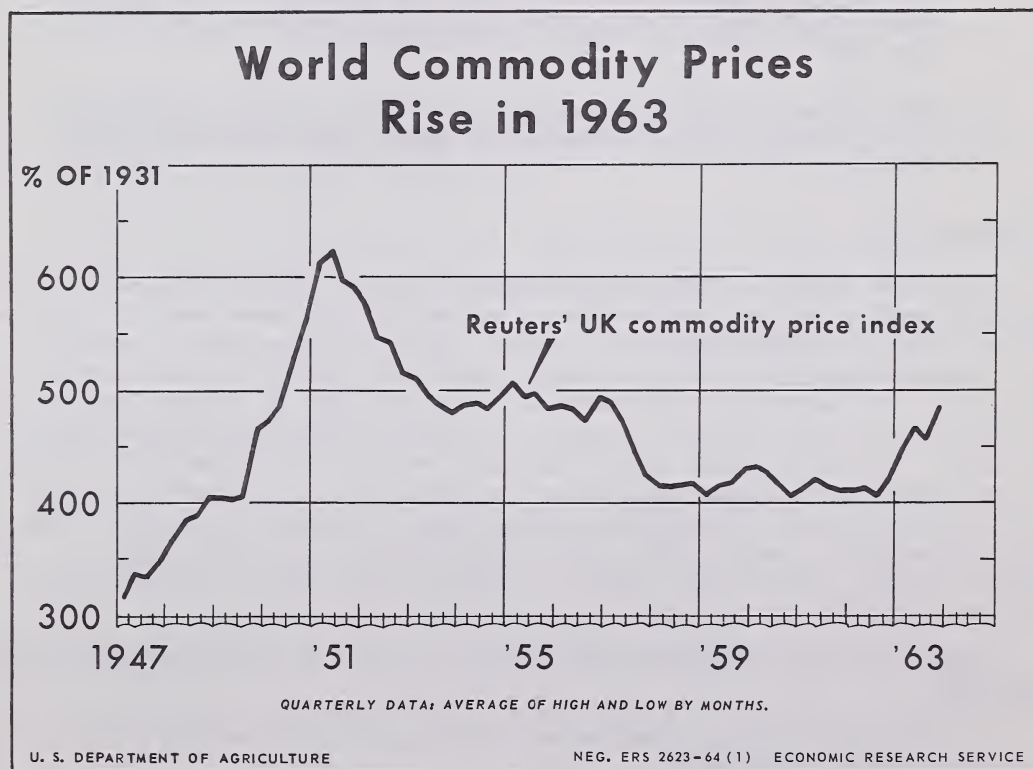
U. S. agricultural imports for consumption increased to \$1,727 million in July-November 1963 from \$1,628 million a year earlier. Imports of meat (particularly beef), fruits, sugar, coffee and carpet wool contributed to the rise; imports of dutiable cattle, apparel wool, oilseeds and products, and rubber declined.

Imports of dairy products from abroad have risen in the past several years, largely as a result of increasing nonquota items. Several countries, which currently supply most of the Colby cheese and nearly all of the Junex and frozen cream imported by the United States, recently indicated they will limit the amount of these nonquota items that will be shipped to the United States in 1963-64.

Imports of beef and veal in January-October 1963, based on preliminary reports, showed an increase of 20 percent over the 1,181 million pounds imported in the same 10 months a year earlier. The gain may have been slightly smaller for the year as a whole. Imports of live meat animals, however, were down from the 1962 level. Meat imports, including the carcass weight equivalent of live animals, were equal to 11 percent of total U. S. meat production in the first 10 months of 1963 compared to 10 percent a year earlier.

World Commodity Prices Rise in 1963

World prices of 21 basic commodities, measured by the Reuters' United Kingdom index of sensitive prices, rose in 1963 to a level 10 percent above 1962 despite a decline in the third quarter. The Reuters' index has trended downward since 1951 and had remained relatively stable for a period of several years prior to the recent rise (see chart). The 1963 year-end level was the highest since early 1957. Much of the advance during 1963 was due to a sharp rise in sugar prices, although increases in world prices for wheat and wool, which are weighted heavily in the index, contributed. Cotton prices declined slightly during 1963. Overall, world commodity prices are continuing to rise in first quarter 1964.



ECONOMIC REPORT OF THE PRESIDENT

In his 1964 economic report to Congress, the President said that the 1961-63 advance has not gone far enough and fast enough to satisfy the employment goals set by Congress in the Employment Act of 1946. He pointed out some economic problems that this country must come to grips with in 1964:

"Unemployment-- $5\frac{1}{2}$ percent of our labor force is still idle....

"Productivity advance--we need about two million new jobs each year to offset the labor-saving effects of rising output per worker.

"Labor force growth--more than a million added jobseekers enter the labor market each year....

"Unused capacity--operating rates in manufacturing still average only 87 percent of capacity, against the 92-percent rate preferred by business managers.

"Wasting potential--men, machines, and materials that lie idle today could readily add about \$30 billion more to our \$600 billion GNP.

"The balance-of-payments deficit--although sharply reduced by the determined steps announced in July, the deficit is still with us...."

'War on Poverty'

Policies cited in the economic report to deal with the above problems include an early tax cut, a close watch on wage-price increases, a flexible monetary policy, reduced barriers to world trade, improved farm commodity legislation, broader manpower policies, modernized transportation, and community development. In addition, the President declared what he termed "war on poverty" and indicated he would submit a special message on poverty to the Congress at a later date. In their annual report to the President, the Council of Economic Advisers outlined the nature and extent of poverty in this country. They said the poor were..."those (people) who are not now maintaining a decent standard of living--those whose basic needs exceed their means to satisfy them....," and in terms of income, the poor are those "...whose annual money income from all sources was \$3,000...." or less.

Using the above definition the report notes the following characteristics of the poor:

"One-fifth of our families and nearly one-fifth of our total population are poor.

"Of the poor, 22 percent are nonwhite; and nearly one-half of all nonwhites live in poverty.

"The heads of over 60 percent of all poor families have only grade school educations....

"...education significantly raises the chance to escape from poverty....

"But education does not remove the effects of discrimination: when nonwhites are compared with whites at the same level of education, the nonwhites are poor about twice as often.

"One-third of all poor families are headed by a person over 65....

"Of the poor, 54 percent live in cities, 16 percent on farms, 30 percent as rural nonfarm residents.

"Over 40 percent of all farm families are poor. More than 80 percent of nonwhite farmers live in poverty.

"...a southerner's chance of being poor is roughly twice that of a person living in the rest of the country.

"...nearly one-half of all families headed by a woman are poor."

THE UNITED STATES BUDGET FOR 1965

President Johnson's budget requests \$97.9 billion of administrative budget expenditures for fiscal year 1965 (table 7). This is \$0.5 billion below the estimate for the current fiscal year.

Administrative budget receipts are expected to increase in fiscal 1965 to \$93.0 billion, \$4.6 billion over 1964. This increase, reflecting the expectation of a strongly growing economy spurred by prompt enactment of the tax program, takes into account the estimated revenue loss from the proposed new tax rates. The resulting administrative budget deficit of \$4.9 billion for 1965 would be \$5.1 billion below the deficit estimated for the current year.

The Federal Budget on a National
Income Accounts Basis

The Federal sector of the national income and product accounts provides a measure of the direct impact of Federal fiscal activity on the Nation's current flow of income and output. Incorporated in the fiscal 1965 budget are allowances for a total of \$69.1 billion in Federal purchases of goods and services. With Federal purchases at a \$67 billion rate in fourth quarter 1963, the estimated total for fiscal 1965 indicates that the Federal sector will not be a major expansionary force during the next 18-24 months. Federal receipts are expected to rise in both the current fiscal year and in 1965 even after allowance for the tax-rate reductions. Some increase in the deficit on income and product account is expected in fiscal 1964 to a \$5.5 billion rate. However, this is expected to decline to \$2.8 billion in fiscal 1965.

Table 7.--Administrative budget expenditures, by function, 1958-65

Function	(Billions of dollars)									
	Actual					Estimate				
	1958	1959	1960	1961	1962	1963	1964	1965		
Administrative budget expenditures:										
National defense	44.2	46.5	45.7	47.5	51.1	52.8	55.3	54.0		
Space research and technology	.1	.1	.4	.7	1.3	2.6	4.4	5.0		
Subtotal	44.3	46.6	46.1	48.2	52.4	55.4	59.7	59.0		
All other functions:										
Interest	7.7	7.7	9.3	9.0	9.2	10.0	10.7	11.1		
International affairs and finance	2.2	3.8	1.8	2.5	2.8	2.6	2.4	2.2		
Agriculture and agricultural resources	4.4	6.6	4.9	5.2	5.9	7.0	6.1	4.9		
National resources	1.5	1.7	1.7	2.0	2.1	2.4	2.5	2.6		
Commerce and transportation	1.6	2.0	2.0	2.6	2.8	2.8	3.2	3.1		
Housing and community development	2/	1.0	.1	.3	.3	.1	.2	.3		
Health, labor, and welfare	3.1	3.9	3.7	4.2	4.5	4.8	5.5	5.8		
Education	.5	.7	.9	.9	1.1	1.2	1.3	1.7		
Veterans benefits and services	5.2	5.3	5.3	5.4	5.4	5.2	5.4	5.1		
General government	1.3	1.5	1.5	1.7	1.9	2.0	2.2	2.2		
Subtotal, all other functions	27.5	34.2	31.2	33.8	36.0	37.9	39.1	38.4		
Other expenditures and interfund transactions										
	.6	.4	.7	.7	.6	.5	.4	.5		
Total budget expenditures 1/	71.4	80.3	76.5	81.5	87.8	92.6	98.4	97.9		

1/ Totals from unrounded data.

2/ Less than \$50 million.

The Agricultural Budget

The administrative budget for agriculture and agricultural resources estimates current fiscal year expenditures at about \$0.9 billion below a year earlier (table 8). A further decrease of \$1.2 billion is budgeted for the 1964-65 year. Most of the reductions in each year are coming from smaller expenditures for farm income stabilization and Food for Peace. These expenditures account for about three-fourths of the total agricultural budget. This year, an increase in Food for Peace spending is being more than offset by reduced outlays for price support, supply, and purchase programs. For the 1964-65 year, further reductions are budgeted reflecting (1) lower unit costs estimated for agricultural commodities, primarily wheat, shipped under the Food for Peace program and the International Wheat Agreement, and (2) anticipated budgetary savings from proposed legislation, including cotton and dairy products.

Table 8.--Budget expenditures for Agriculture and
agricultural resources

(Fiscal year, in millions of dollars)						
Description	Actual				Estimate	
	1960	1961	1962	1963	1964	1965
Farm income, stabilization and						
Food for Peace	3,602	3,800	4,576	5,517	4,746	3,750
Agricultural land and water						
resources	368	397	426	404	417	423
Financing rural electrification						
and rural telephones	330	301	303	342	219	216
Financing farming and rural						
housing	289	349	234	300	279	130
Research and other agricultural						
services	293	324	341	391	409	388
Total <u>1/</u>	4,882	5,172	5,881	6,954	6,070	4,907

1/ Total is not the same as the Department of Agriculture Budget. Some expenditures by this Department, namely, Foreign donations of commodities, forest resource, milk program, and school lunch program expenditures are not included here.

Bureau of the Budget.

New obligational authority recommended for rural electrification and telephone programs in 1965 reflect anticipated early enactment of proposed legislation to authorize use of collections on outstanding electrification and telephone loans to help finance new loans. A reduction of \$152 million in estimated budget expenditures for financing farming and rural housing in 1965 from 1964 reflects proposed legislation which would largely replace direct Federal loans with insured private credit in the rural housing program. The 1965 estimates for the Farmers Home Administration provide for an enlarged program to finance rural housing for the elderly and for continuing the pilot rural renewal program.

Expenditures for agricultural land and water resources programs are estimated to increase moderately in 1965. The estimates provide for continuing the pilot program under which loans and grants are made to rural communities to promote conservation and development of land and water resources on an areawide basis. Funds recommended for the upstream watershed protection program will permit about 36 new starts in 1965.

CURRENT COMMODITY SITUATION

LIVESTOCK AND LIVESTOCK PRODUCTS

Meat Animals

The June-November 1963 pig crop, main source of slaughter hogs during the first 6 months of 1964, was 4 percent below a year earlier. June-August farrowings were down about 2 percent, largely a result of a 10 percent drop in August from a year earlier. September-November farrowings were off 6 percent. Thus, slaughter supplies will drop below 1963 rates before the end of the first quarter of 1964. Hog slaughter will not likely be much above year-earlier rates the balance of the winter. Hog slaughter in second quarter 1964 likely will average about 5 to 7 percent below April-June last year.

Reduced hog slaughter will bring higher prices the first 6 months of this year. First quarter prices likely will average about the same as the \$14.95 per hundredweight in January-March 1963 even though prices of barrows and gilts at 8 U. S. major markets averaged \$14.39 the first week in January this year (\$1.36 below the same week a year earlier). In the second quarter, hog prices likely will average about \$1.00 higher than the \$15.30 April-June 1963 average.

In the December 1 Pig Crop Survey, producers reported intentions to have 6.6 million sows farrow during December 1963-May 1964, 6 percent fewer than a year earlier. December-February farrowings may not be off quite as much as those in March-May. Hog slaughter the last half of this year probably will average about 4 to 6 percent below the second 6 months of 1963. Hog prices, therefore, are expected to average higher than a year earlier throughout the last half of this year.

The number of sheep and lambs on feed in 26 States, January 1, 1964, was down 11 percent from last year's beginning inventory of 4.1 million head. The greatest reduction in the number on feed occurred in the weight groups over 80 pounds. Since Commercial sheep and lamb slaughter the first 3 months of a year usually averages about 85 percent of the beginning inventory of lambs on feed, slaughter in January-March may be down as much as 8 to 10 percent.

The January 1, 1964, inventory (to be released February 13) likely will show fewer ewes on farms. The lamb crop is also expected to be down again this year. Second quarter slaughter of sheep and lambs likely will average somewhat below year-earlier rates but probably by not as wide a margin as that expected in the first quarter.

During the first half of 1964, lamb prices are expected to average much the same as they did a year earlier. Last year, Choice lambs at Denver averaged \$19.29 in January-March and then rose to \$21.36 in March-April. December lamb prices averaged \$18.85, down \$.86 from December 1962.

There were 8.9 million cattle and calves on feed on January 1 in the 28 leading States. This was 1 percent below the same date in 1963. The number on feed in weight groups over 900 pounds was up 11 percent from a year earlier while those in lighter weight groups were off 5 percent. Placements during October-December 1963 were 7 percent below those of the fourth quarter of 1962, and marketings out of feedlots were up 9 percent.

Cattle feeders' stated intentions as of January 1, 1964, were to market 6 percent more cattle and calves out of feedlots in first quarter 1964 than were marketed a year earlier. The supply of fed cattle going to market in January-March likely will be up somewhat from first quarter 1963, and second quarter slaughter may be slightly lower than a year earlier. Cattle prices, which averaged \$22.30 in December (Choice steers at Chicago), may average about \$1-\$2 higher than this in the first quarter and then show some additional gain in the second quarter as burdensome supplies of fat cattle in feedlots become reduced.

Dairy Products

In 1963, prices farmers received for all wholesale milk averaged about the same as 1962. During the last quarter of 1963, prices were 8 cents per 100 pounds higher than the same period the year before. First quarter 1964 prices are expected to average about 5 cents per 100 pounds higher than the first quarter of 1963. Prices for manufacturing grade milk are seasonally above the support level of \$3.14. Prices for milk eligible for fluid use are moving downward as seasonal increases in production reduce the proportion of output used for the higher-valued fluid classes.

Based on monthly estimates, total milk production for 1963 was 124.7 billion pounds, down about 1 percent from the 1962 record. During October and November, output ran about 2 percent below a year earlier. In December, milk

production recovered somewhat and was only 1 percent below December 1962. During first quarter 1964, average daily milk production may be about the same as a year earlier.

Despite lower production, about 2 percent more milk was used for fluid milk and cream and about 3 percent more for cheese in 1963 than a year earlier. The main impact of the 1963 downturn in milk production fell on butter output, which dropped 9 percent. Some further decline in butter production is likely this year, as fluid sales and cheese production gain; but the decline will be less than in 1963. In January-November 1963, sales of fluid whole milk were about $2\frac{1}{2}$ percent above year-earlier levels in major urban marketing areas.

During the first quarter 1964, CCC purchases of dairy products under the price support program are expected to be lower than the 2.6 billion pounds (milk equivalent) purchased in January-March 1963. This is due to a slightly larger commercial market for dairy products. In calendar 1963, CCC purchases and payment-in-kind exports of dairy products included 308 million pounds of butter, 108 million pounds of Cheddar cheese, and 1,228 million pounds of nonfat dry milk. This totaled 7.7 billion pounds milk equivalent, or 6 percent of production. Purchases included 304 million pounds of milkfat and 1,214 million pounds of solids-not-fat, 6.5 and 11.3 percent of production, respectively.

Total stocks of manufactured dairy products at the beginning of 1964 were about 9.6 billion pounds (milk equivalent), 3 billion below a year earlier. The drop was due mainly to smaller CCC holdings, continued high utilization of CCC-purchased dairy products in domestic school lunch and welfare programs, and sharply increased foreign disposition of CCC butter. Commercial stocks of manufactured dairy products were about 4 billion pounds (milk equivalent), 8 percent below the beginning of 1963. The seasonal decline in stocks of manufactured dairy products during the fall of 1963 was about average. However on December 31, 1963, commercial butter stocks were slightly above and American cheese stocks were 10 percent below year-earlier levels.

Retail prices of all dairy products during the last quarter of 1963 were slightly above a year earlier, and are expected to continue higher in first quarter 1964. The retail prices of fluid milk will be above year-earlier levels during January-March 1964, reflecting a continuing slow rise in farm-retail margins and slightly higher prices paid by distributors for milk for fluid use. Cheese prices are expected to be about 1 cent per pound above first quarter 1963, reflecting the same factors.

Poultry and Eggs

Egg production in 1963 totaled 176 million cases, up fractionally from 1962. The rate of lay continued to trend upward and offset a slightly smaller number of layers. Compared with 1962, output was lower in the first quarter, the same in the second quarter, and higher in each of the last 6 months.

Greater egg production than a year earlier is likely to continue at least through the fall of 1964. However, most of the increase over 1963 is expected to occur in the first half of the year. A higher rate of lay in the first quarter and a larger laying flock in the second are expected to account for most of the expansion. By fall, the Nation's laying flock is likely to decline below a year earlier because of a probable reduction in the number of replacement chickens raised. Egg production, however, likely will continue higher for a month or 2 longer because of a further increase in the rate of lay.

U. S. egg producers in 1963 received an average of 34.0 cents per dozen for eggs compared with 33.7 cents in 1962. The price difference in favor of 1963 narrowed from 1.5 cents in the first quarter to 0.8 cent in the second and 0.4 cent in the third. In the fourth quarter, egg prices fell 1.3 cents below a year earlier. In mid-December U. S. average prices received by farmers for eggs stood at 35.1 cents per dozen compared with 36.0 cents in November and 36.9 cents in December 1962.

Broiler prices declined sharply between late November and Christmas and then fully recovered. The price weakness was partly seasonal, reflecting a decline in demand around the holiday period. But it also appeared to stem from 2 factors: A larger than expected accumulation of turkeys in the hands of processors and retailers during the holiday periods; and a continuation of more plentiful supplies of red meat. Both factors appeared to have contributed to less featuring of broilers by grocery stores and to a buildup in the on-the-farm reservoir of live broilers. Prices for broilers began declining in late November and early December even though producers were holding birds off the market. When these birds were eventually sent to market in the 2 weeks before Christmas, an additional sharp reduction in prices occurred. In Georgia and in most other areas in the Southeast, price quotations for broilers at the farm were steady at $13\frac{1}{2}$ cents per pound during most of the period November 1-28, slid to 13 cents on November 29, to $12\frac{1}{2}$ cents on December 5, and fell to 11 cents on December 19. After Christmas, prices in the Southeast recovered to $12\frac{1}{2}$ cents per pound, and by mid-January had advanced to $13\frac{1}{2}$ cents per pound firming to 14 cents in Georgia.

In the 3 weeks ended December 28, broiler chick placements were up 10 percent from the 1962 level. But egg settings in 22 States were only 2 percent higher in the 2 weeks ended January 18. Because of expanded hatchery activity in fourth quarter 1963, about 6 percent more broilers are likely to be marketed in the first quarter of 1964 than in January-March 1963. Supplies of red meat are expected to continue larger than in 1963 and poultry exports are not likely to change greatly. This suggests that U. S. broiler prices in the first quarter may average below the 15.3 cents of a year earlier.

The buildup in the broiler industry's potential to produce in 1963 has generated strong pressures for continued greater production throughout most of 1964. These pressures are mirrored in the number of layers added to broiler hatchery supply flocks over the past several months. Indications point to about 5 to 10 percent increase in the broiler breeder flock in the first half over the same period of 1963.

Prices to U. S. producers for turkeys in 1963 averaged about 22.2 cents per pound, 3 percent over the 21.6 cents average in 1962. In the first quarter, prices were 1.8 cents per pound above the 1962 level, but as turkey production increased seasonally, the margin in favor of 1963 narrowed. In the last 4 months of 1963--the period when over half the crop was marketed--prices averaged 22.6 cents per pound, up only 0.3 cent from the like months of 1962. Although prices rose seasonally during the main marketing period (from 21.6 cents in August to 22.9 cents in November and December), the increase was less than the advance from 20.2 cents to 23.0 cents in 1962. The usual sharp November-to-December upturn did not materialize in 1963 because the holiday demand was weaker than expected.

The 1964 turkey crop is expected to be slightly-to-moderately larger than the 92.7 million birds raised in 1963. A more profitable year for most turkey producers in 1963 than in 1962 has provided an impetus for the larger crop. The higher prices that most producers received in 1963 together with a rise in production efficiency appear to have more than offset higher feed prices, resulting in improved returns to producers.

Wool

World wool prices remained firm as the 1963-64 marketing year sales reopened after the Christmas recess. World prices advanced significantly during late November and early December. In early January, prices of the fine combing wools were 15 to 20 percent higher than a year earlier, while prices of medium crossbred wools were 30 to 40 percent higher. World consumption and production are both at record levels, and stocks in the manufacturing countries are relatively low.

U. S. wool prices have not advanced as much as wool in other markets, due to declining mill consumption. Short supplies of wool limited sales in most markets. The average price received in December 1963 was 47.3 cents per pound, grease basis, 8 percent higher than a year earlier.

Mill use of apparel wool in 1963 likely totaled 250 million pounds, scoured basis, or 10 percent below 1962 use. Through the first 11 months of 1963, apparel wool use amounted to 234 million pounds compared to 261 million the same period of 1962. Consumption on the worsted system declined more than that on the woolen system.

Carpet wool mill use in 1963 probably totaled slightly more than 160 million pounds, scoured basis, or 8 percent more than in 1962. Through the first 11 months of 1963, mill use of carpet wool totaled 150 million pounds compared with 138 million in the comparable period of 1962. In addition to the greater use of wool, the quantity of man-made fibers used in the spinning of carpet yarns on the woolen system increased more than 20 percent.

Woolen and worsted woven fabric production during the first 3 quarters of 1963 totaled 222.7 million linear yards, 7 percent less than a year earlier. Output of non-apparel fabric increased; that of apparel fabric declined. Government orders were also down.

Reflecting the decline in mill use of apparel wool, imports of dutiable raw wool were lower in 1963 than a year earlier. Through November they totaled 98.8 million pounds, clean content, compared with 111.3 million in the same period of 1962. Australia continued to be the largest supplier of these wools followed by South Africa and New Zealand.

Imports of duty-free wools during 1963 were moderately higher than a year earlier due to the increased mill use of carpet wools. Through November, they amounted to 153.2 million pounds, clean content, compared with 130.7 million in the same period of 1962. New Zealand was the largest supplier followed by Argentina. Imports of wools grading 40's to 46's continued to increase in both quantity and proportion of the total.

CROPS

Wheat

The supply of wheat in 1963-64 is placed at 2,338 million bushels, about 341 million below the record level of 1960-61. The December estimate of the 1963 crop was 1,138 million bushels, about 40 million larger than in 1962.

Total disappearance may reach 1,600 million bushels with exports possibly accounting for as much as 1,000 million. Exports during July-December 1963, the first half of the current marketing year, are estimated at about 390 million bushels. Thus, to attain such a record high level, they will have to average about 100 million bushels per month during the remainder of the year ending June 30. The record monthly export of 86 million bushels was made May 1963. The initial sale of wheat to the Soviet Union covered about 37 million bushels. Previously, sales to Eastern European Bloc Countries were for varying small amounts.

Domestic disappearance during 1963-64 may total around 600 million bushels with the bulk of this, 500 million, being used for food. Carryover on July 1, 1964, as a result, may be 400 to 450 million bushels below that at the beginning of the marketing year.

The price received by farmers during July-December 1963 averaged \$1.87 per bushel, 12 cents below the same period a year earlier but 5 cents above the 1963-crop loan rate of \$1.82. In addition, farmers participating in the diversion program received price support payments of 18 cents per bushel. Under current legislation, the loan rate on 1964-crop wheat may be about \$1.25 per bushel. As a result, prices can be expected to drop sharply at harvest.

The seeding report for the 1964 crop indicated that farmers had put about 43 million acres in winter wheat. This was only about a million more than they seeded for the 1963 winter wheat crop. Seedings of this magnitude would indicate that a high proportion of farmers were complying with their acreage allotment. Production on this acreage, based on conditions as of December 1, 1963, is estimated at 959 million bushels compared with 905 million bushels harvested in 1963.

Rice

The 1963 U. S. rice crop is estimated at a record 70.1 million cwt. (rough basis). The beginning carryover of 7.7 million cwt., along with this crop and an allowance for a small quantity of imports, provides a supply of 77.9 million cwt. in 1963-64. This is 9 percent above last year's large supply and about 19 percent above the 1957-61 average. Domestic disappearance and exports likely will total about 67.5 million cwt. resulting in a buildup in carryover to over 10 million cwt.

The acreage allotment for the 1964 crop, 1.8 million acres, is unchanged from 1963 as is the price support loan of \$4.71 per cwt. With a continuation of the sharply rising yields of recent years, another large crop is in prospect for 1964.

Total domestic disappearance in 1963-64 is expected to be about 29.5 million cwt. (rough basis), with that for food use totaling about 22.5 million. This quantity for food use would be a moderate increase from the 21.7 million cwt. used for food in 1962-63 and would be in line with the long time upward trend. Use of rice by the brewing industry and that used for seed are both expected to be about the same in 1963-64 as in many recent years--about 4.7 million and 2.3 million cwt., respectively.

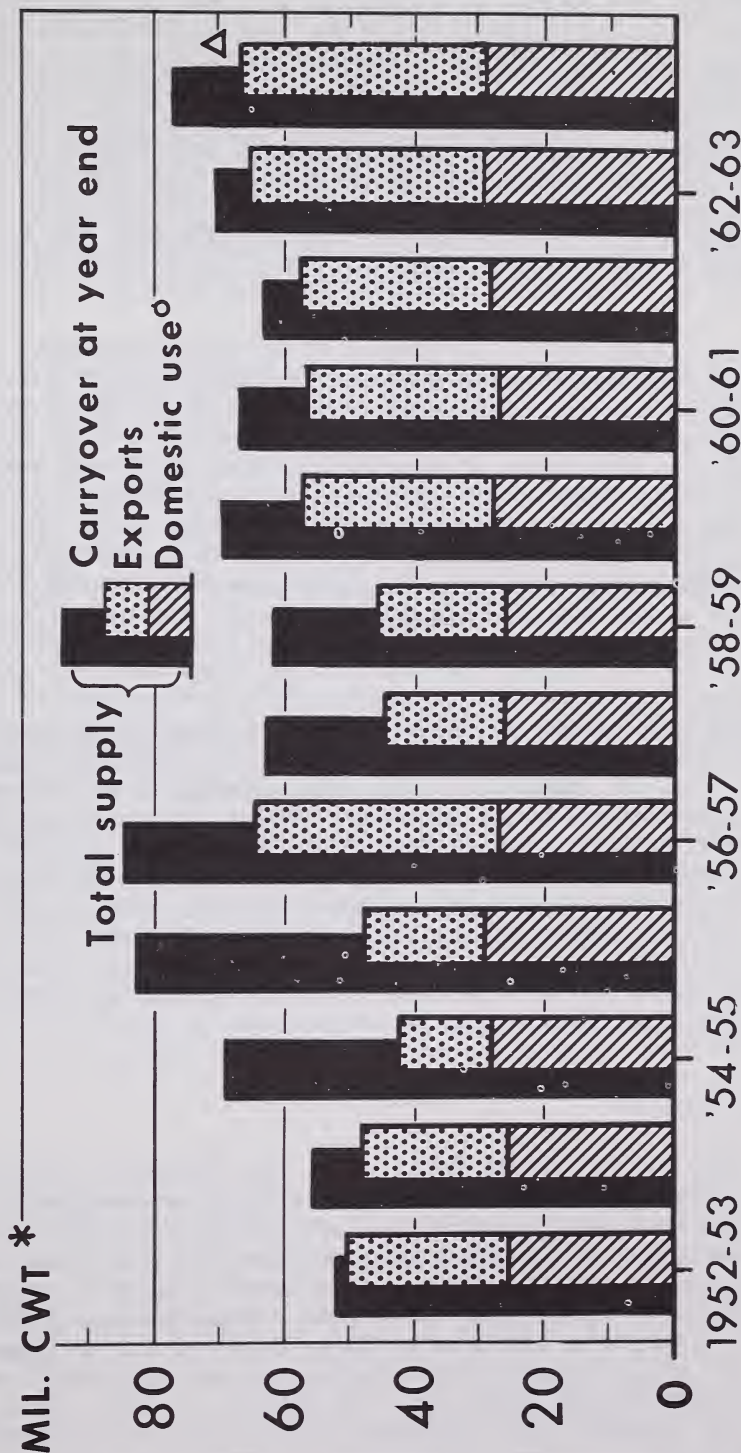
U. S. exports of rice in 1963-64 are estimated at around 38 million cwt., somewhat above the 35.6 million exported last year and slightly above the record of 37.5 million set in 1956-57.

World rice production is expected to set a record in 1963-64. The world harvest, excluding Mainland China, forecast in November 1963 at 154.3 million metric tons, is 1.9 million above the previous record set in 1961-62. Production in Mainland China, the world's largest rice producer, is believed to have been smaller in 1963 than in 1962. It normally produces around 80 million tons. The harvest in India, the world's second largest producer, is much larger this year than last. World trade in rice during the calendar year 1964 is expected to be as heavy as it was a year earlier.

Feed Grains

The total supply of feed grains for 1963-64 is now estimated at 219 million tons, 4 million more than a year earlier, but about 11 million below the record supply in 1960-61. Feed grain production in 1963 was estimated in December at 156 million tons, 13 million above 1962 production and slightly above the record crop of 1960. It now appears probable that total disappearance of feed grains in 1963-64 will about equal production, and that carryover into 1964-65 may not change materially from the 63 million ton carryover into 1963-64. Domestic consumption of feed grains in 1963-64 may be a little above the 135 million tons consumed domestically in 1962-63. Exports are expected to continue near the high level of the past 2 years. Exports of feed grains, during October-December, totaled over 5 million tons, about a million tons more than a year earlier and a record high for that quarter.

RICE SUPPLY AND DISTRIBUTION



MARKETING YEAR BEGINNING AUGUST.

○ INCLUDING TERRITORIAL AND MILITARY USE.

* IN TERMS OF ROUGH.

△ 1963-64 DATA ARE JAN. ESTIMATES.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 485-64 (1) ECONOMIC RESEARCH SERVICE

The 1963-64 corn supply is estimated at 5,398 million bushels and is 2 percent larger than in 1962-63. The 1963 crop of 4,082 million bushels, was 12 percent larger than in 1962 and 4 percent above the previous record crop of 1960. While corn acreage was 15 percent below the 1960 level, increased yield per acre, up 27 percent in the last 5 years, was more than offsetting. Assuming total disappearance of corn to be somewhat above the 1962-63 level, the corn carryover next October 1 would not change greatly from the 1963 carryover of about 1,316 million bushels. The total sorghum grain supply is estimated at 1,238 million bushels, 6 percent larger than in 1962-63. The oat supply for 1963-64 is about 3 percent less than last year, while the barley supply is about the same.

Generally strong demand for feed during October-December resulted in a 6 percent higher average for feed grain prices than in that quarter of 1962. Wholesale prices of high-protein feeds were 2 percent higher. While receipts of corn at primary markets during October-December were about 20 percent higher than a year earlier, CCC sales of feed grains have been much smaller. The average price received by farmers for corn was \$1.07 per bushel in December, 7 cents higher than a year earlier and equal to the 1963 loan rate. The average price received for oats in December was slightly below the loan rate, while the average price of sorghum grain was 5 cents per hundredweight higher and of barley was 13 cents per bushel higher. Feed grain prices are not expected to increase as much during the first half of 1964 as in the like period of 1963.

The signup period for the 1964 Feed Grain Program is from February 10 to March 27. The voluntary 1964 program is similar to the 1963 program. Farmers must divert at least 20 percent of their base acreage to be eligible for acreage diversion payments and price supports. The maximum acreage that may be diverted, however, has been raised from 40 to 50 percent and farmers diverting more than 40 percent will receive a higher diversion payment than last year. The 1959-62 average yields, generally higher than the 1959-60 average under the 1963 program, will be used for computing normal production. The total price support levels in 1964 will be the same as in 1963, but the loan rates have been raised a little (\$1.07 to \$1.10 a bushel for corn), and the price support payments reduced a little (18 to 15 cents for corn).

Oilseeds, Fats and Oils

Record supplies of edible fats, oils, and oilseeds, reflecting a 3 percent increase in production and a larger carryover, are estimated for the 1963-64 marketing year which began October 1, 1963. At 16.9 billion pounds (in terms of oil), supplies are about 3 percent above the peak quantities of a year ago. Increased demand, mainly in the export sector, also is expected, boosting total disappearance to a new high and around 7 percent above 1962-63. Despite this record use, carryover stocks on October 1, 1964, are not expected to change much from the 2.5 billion-pound level (including oil equivalent of soybeans, shortening, and cooking and salad oils) of October 1, 1963. Record-high stocks of vegetable oils (soybean and cottonseed) mainly will be responsible for this high-level carryover.

Exports of food fats (including the oil equivalent of soybeans) in 1963-64 are expected to surpass the 4.3 billion pounds of last season. Increased amounts of vegetable oils, butter (including butter oil and ghee), and lard are foreseen. Soybean exports also are expected to be slightly above those of 1962-63. Strong demand for U. S. food fats will result from reduced supplies of competitive fats in many countries, greater demand in Europe and Japan, and more movement of edible vegetable oils under the Food for Peace (P. L. 480) Program. About one-fourth of the total amount of edible oils and oilseeds exported will be under this program. Most of these exports will be comprised of the vegetable oils (soybean and cottonseed oils); but significant amounts of butter, butter oil, and ghee also are expected to move out in the current marketing year.

Soybean prices to farmers during the heavy marketing months of October-December 1963 averaged \$2.60, 35 cents above the national support price of \$2.25 per bushel and 31 cents over the comparable period last year. Soybean prices probably will continue strong throughout the marketing year since the supply appears to be in fairly close balance with prospective requirements. As of December 31, 1963, 50 million bushels of soybeans were placed under the support program compared with 49 million the same period a year earlier. Redemptions should be substantial. Loans and purchase agreements for 1963 soybeans were available through January, and mature July 31, 1964.

The total 1963-64 supply of soybeans is now set at 717 million bushels, about the same as last season after adjusting for new crop disappearance in September. Total disappearance is expected to be about the same as last year, leaving carryover stocks on October 1, 1964 at around 15 million bushels, roughly the same as on October 1, 1963.

Lard production in 1963-64 is placed at 2,400 million pounds compared with 2,504 million in 1962-63. Total disappearance is expected to be below that of last year, due to further declines in domestic consumption. Lard exports should be up somewhat from last year. Lard prices (tanks, loose, Chicago) during October-December 1963 averaged 9.2 cents per pound, compared to 8.7 cents a year ago. Prices probably hit their seasonal low in January 8.8 cents, and a slight rise over the rest of the year is in prospect. Hog slaughter supplies are expected to drop below 1963 rates before the end of the first quarter of 1964.

Fruit

Supplies of fresh citrus fruits are expected to be lighter than usual during the first half of 1964, but generally larger than a year earlier, when supplies were curtailed by freeze damage. Supplies of most classes of processed fruits are lighter. Demand for fruit continues strong. Grower and retail prices for fresh fruit and retail prices for processed fruits generally are expected to continue at relatively high levels.

The 1963-64 U. S. citrus crop is expected to be about 3 percent below the 1962-63 crop and 20 percent below the 1957-61 average. Practically all of the reduction is in Florida oranges and grapefruit, reflecting continuing effects of the December 1962 freeze. Freezing weather to mid-January this winter caused no material damage to citrus fruit, although it injured some tender growth. On-tree supplies of oranges and lemons are larger, of grapefruit smaller, than a year ago.

At year-end, use of Florida oranges for processing was much smaller than a year earlier, a time when intensive salvage operations were underway. But use of grapefruit was somewhat larger. Early-season output of canned and frozen orange juice has been much smaller than a year ago. Packers' stocks in early January were considerably below the heavy stocks a year earlier. If the expected larger Florida Valencia orange crop materializes, the pack of frozen concentrate next spring probably will be somewhat larger than the reduced volume last spring.

Year-end cold storage stocks of apples were substantially larger, those of pears and grapes considerably smaller, than on January 1, 1963. A sharp increase over a year ago is indicated in the 1964 Florida winter strawberry crop, although freezing temperatures in mid-January did some damage to blooms and immature fruit.

The 1963 deciduous fruit crop was about 1 percent larger than the 1962 crop and 7 percent above average. California grapes accounted for most of the increase in 1963. The 1963 packs of canned and frozen deciduous fruits were each about a tenth smaller than the respective 1962 packs. Year-end stocks of principal items were smaller than a year ago. Because of an increase in raisins, the 1963 pack of dried fruits is somewhat larger than the 1962 pack.

Commercial Vegetables

Fresh

Total supplies of fresh vegetables this winter may be smaller than a year earlier because of frost damage during January in principal winter crop producing areas. A number of the more tender items in Florida -- particularly snap beans, cucumbers, tomatoes and sweet corn -- suffered extensive damage and supplies will be curtailed the next 6 to 8 weeks. The hardier vegetables such as cabbage, carrots, celery and lettuce escaped with minor damage. But even prior to the cold weather, prospects for most of these commodities pointed to supplies about the same to somewhat smaller than a year earlier. Imports from nearby countries, primarily Mexico, will supplement our domestic winter production. Prices for fresh vegetables this winter are likely to average above a year earlier.

Processed

Canned vegetables available for marketing into mid-1964 appear to be in moderately smaller supply than the record high of last season. Stocks of canned lima beans, sauerkraut, tomatoes, and tomato products probably are moderately below year-ago levels. Snap bean stocks are down slightly. But

holdings of beets are well above last year and those of cucumber pickles, asparagus, and sweet corn probably are record large. Stocks of frozen vegetables, excluding potato products, are about the same as a year ago, with more broccoli, Brussels sprouts, carrots, and spinach offsetting smaller holdings of most other items. All frozen vegetable supplies are ample to heavy. Stocks of frozen potato products are slightly below a year ago but substantially above the recent 5-year average.

Disappearance of processed vegetables during the first half of 1964 is expected to be about the same as a year earlier and since supplies are abundant competition for sales will continue to be stiff. Prices of canned beets, cucumber pickles, and frozen spinach into mid-1964 may be slightly lower than a year ago. Canned sweet corn prices are expected to average about the same as the depressed levels of a year earlier. Some market pressure has also affected several tomato products. But prices for most other major canned items probably will average slightly above those of last season, and prices for frozen vegetables will continue about the same as a year earlier.

Potatoes and Sweetpotatoes

Potato supplies available for marketing this winter are a little smaller than last year but substantially above the recent 5-year average. Storage holdings of late summer and fall potatoes on January 1, 1964, were 116.8 million hundredweight, compared to 117.2 million a year earlier. Stocks are 9 percent smaller than a year ago in the eastern States, and 4 percent smaller in the central States. However, stocks in the West are a tenth above year ago levels. Disappearance of storage potatoes through December was moderately larger than a year earlier--in part because of heavier use for starch and livestock feeding under a USDA diversion program. Although disappearance will likely continue at a high rate, supplies will exceed trade needs into mid-spring, and prices probably will remain below year-ago levels. The 1964 winter crop is estimated at 3.6 million hundredweight, 7 percent smaller than a year ago.

Supplies of sweetpotatoes for marketing this winter and spring probably are moderately smaller than last season. North Carolina, Georgia, New Jersey, Louisiana, Texas, and California store a large portion of their crops and furnish the bulk of the January-June supply. Combined 1963 output in these States was a fifth smaller than the year before. In addition, unload data indicate that movement from these States through early January 1964 was only a little below last season. Thus, remaining supplies appear to be smaller than a year earlier. Prices are expected to increase seasonally the next 4 to 5 months and average materially higher than in 1963.

Cotton

The carryover of all kinds of cotton on August 1, 1964, is estimated to reach 13.1 million bales. This would be an increase of 1.9 million bales from a year earlier and the largest carryover since the record high of 14.5 million in 1956. The increase in carryover expected is because of the large 1963 crop.

As of December 1, the 1963 crop was estimated at 15.5 million running bales, the largest since 1953, when acreage allotments were not in effect. The 1962 crop was 14.9 million running bales. The large crop for 1963 reflects a record yield of 524 pounds per harvested acre. Cotton acreage harvested for this crop was down about 9 percent from 1962.

Disappearance of cotton during the 1963-64 crop year is expected to be about 2 million bales greater than 1962-63. Both mill consumption and exports are expected to be larger during 1963-64 than for the previous year. Consumption of all kinds of cotton by U. S. mills during 1963-64 is estimated at 8.6 million bales (8.4 million bales of upland cotton). Increased consumption is indicated by a downward trend in the ratio of cotton stocks to unfilled orders for cotton cloth, an upward trend in prices for cloth, and a widening of mill margins for cotton cloth.

Factors modifying the rise in mill consumption during this season include imports of cotton textiles and production and use of synthetic fibers. Available data indicate that cotton textile imports have been running at a slightly higher rate than in 1962 when they totaled a record 646,000 bales of cotton, equivalent. For the first 8 months of calendar 1963, imports totaled 456,900 bales compared with 448,400 for the same period in 1962.

The daily rate of consumption of manmade staple fibers by cotton-system spinning supplies was 3.3 million pounds in December. This is 23 percent higher than a year earlier. The daily rate for rayon and acetate staple fiber in December was up 22 percent from the same month a year earlier, while consumption of the non-cellulosic fibers was up 26 percent. Increasing quantities of both types of fibers are being used with cotton to produce fabric blends.

U. S. exports of cotton during the 1963-64 crop year are expected to total about 5.2 million bales compared with 3.4 million in 1962-63. Exports could exceed 5.2 million bales, if cotton stocks are increased in foreign importing countries. The export increase this year would be related to such factors as:

- (1) An improvement in the competitive price position of U. S. cotton in world markets.
- (2) An expected moderate pickup in foreign free world consumption during 1963-64.
- (3) A decline in production in foreign countries.
- (4) Low beginning stocks in foreign countries.
- (5) Increased free world exports to Communist countries.

Through January 15, 3.8 million bales of cotton had been sold under the export sales program. Through January 17, 13,080 bales had been registered for shipment under the payment-in-kind export program.

Tobacco

Cigarette consumption by U.S. smokers in 1963 is estimated at 523 billion cigarettes, compared with 508½ billion in 1962. This increase of almost 3 percent is above the 1 percent increase between 1961 and 1962 and more in line with the average annual gain of about 4 percent in 1957-61. It is not yet possible to judge how the smoking-health report of the Advisory Committee of the Surgeon General, released on January 11, 1964, may affect tobacco consumption.

Estimated consumption of cigars and cigarillos in 1963 was about 7.2 billion--almost 2½ percent above each of the 3 preceding years and the highest since 1923. Imported tobacco from sources such as Colombia, Dominican Republic, Brazil, and others is steadily replacing Cuban tobacco in cigar filler blends. Stocks of Cuban tobacco, imported before the embargo on shipments from Cuba, are still sizable though less than half as much as 2 years ago.

The 1963 output of smoking tobacco for pipes and "roll-your-own" cigarettes totaled about 70½ million pounds--slightly below 1962. Output of chewing tobacco was probably about 65 million pounds, slightly more than in 1962, and the fourth successive year at about this level. But last year's output of snuff, estimated at 32½ million pounds, was 2 percent less than in 1962.

Calendar year exports of unmanufactured tobacco (usually an outlet for about a fourth of U. S. production) are estimated at 505 million pounds (export weight)--8 percent above 1962 when they were at an 8-year low. Improved quality of 1963 flue-cured compared with the 1962 crop is a factor in the gain. Expanding production abroad is intensifying competition, making improved quality a vitally important factor in U. S. export prospects.

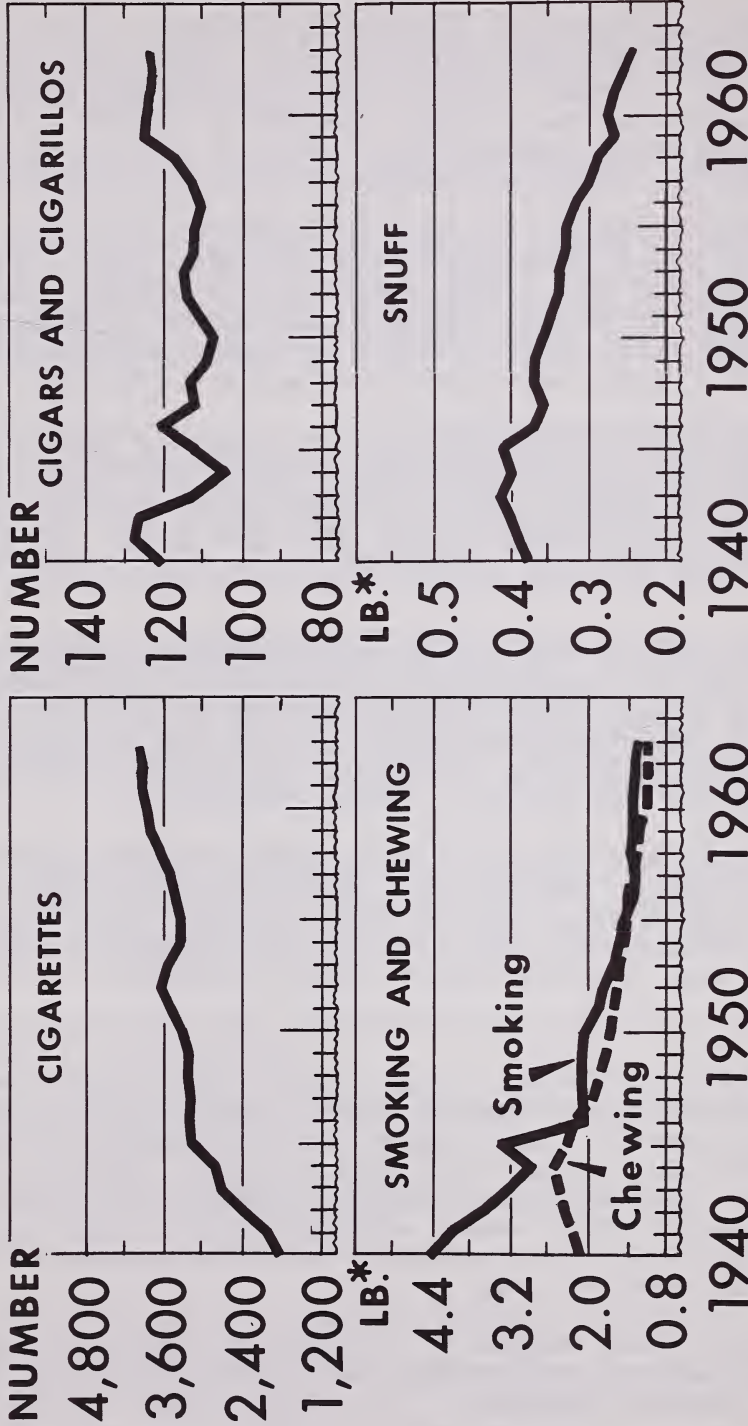
The 1963-64 total supply of flue-cured is 4 percent above 1962-63 and highest since 1956-57. The 1963 crop, 3½ percent smaller than the 1962 outturn, brought an average price of about 58 cents a pound--2 cents less than in 1962. One-fifth of the flue-cured crop was placed under Government loan. Acreage allotments for most flue-cured tobacco farms in 1964 will be 10 percent smaller than for 1963.

The 1963-64 total supply of burley is 7 percent greater than in 1962-63 and the largest on record. Carryover was up 8 percent and the 1963 crop topped 1962's high by 5 percent. Marketings were nearly completed by January 22. Prices for gross sales averaged 59.2 cents per pound, compared with 59.0 cents a year earlier. About 25 percent of market deliveries went under Government loan. In the entire 1962-63 season, about 9½ percent of the crop went under loan, and in the 6 seasons before that, loan deliveries amounted to only 1 to 3 percent of the respective crop.

The 1963-64 total supplies of fire-cured and dark air-cured tobacco are 2 percent and 4 percent, respectively, above 1962-63; but the Virginia sun-cured supply is down 15 percent.

TOBACCO PRODUCTS

U.S. Per Capita Consumption^Δ



* FINISHED WEIGHT. Δ CIGARETTES AND SNUFF, BASED ON POPULATION 15 YEARS AND OVER; OTHERS, BASED ON MALE POPULATION 18 YEARS AND OVER.

For the season through January 22, auction prices for Virginia fire-cured (type 21) averaged 12 percent below those a year earlier, while prices of Virginia sun-cured were about 18 percent lower. For the dark air-cured types One Sucker and Green River, auction prices for marketings through January 22 were down 9 percent and 2 percent, respectively, from a year ago. Auction markets for Kentucky-Tennessee fire-cured types 22 and 23 opened January 28 and January 27, respectively.

Increased carryover, which more than offset a smaller 1963 crop, has brought the 1963-64 supply of Maryland tobacco to only a little below 1962-63, which was the largest in 5 years. Auctions for the 1963 Maryland crop are scheduled to start April 21, 1964. The overall support level for 1963-crop Maryland tobacco is 51.8 cents per pound-- $\frac{1}{2}$ cent above 1962.

The 1963-64 supply of Pennsylvania and Ohio cigar filler tobacco is about equal to that in 1962-63. Supplies for 1963-64 of Connecticut Valley binder types are at new lows, mainly due to declines in carryover, while supplies of Wisconsin binder are down a little, mostly because of a decline in the Northern Wisconsin crop. The 1963-64 supply of shade-grown cigar wrapper tobacco is 5 percent less than in 1962-63 and lowest in 4 years.

Marketing quotas and acreage allotments are in effect for the 1964 crops of flue-cured, burley, sun-cured, Maryland, Connecticut Valley binder, and Ohio filler-Wisconsin binder tobaccos. Growers of these types voted 3-year approval in referendums held mostly in 1962 and 1963. Referendums will soon be held in which growers of fire-cured and dark air-cured tobacco will vote on whether to continue marketing quotas on their 1964, 1965, and 1966 crops. At least two-thirds of the growers voting must approve to maintain quotas in effect.

Government price support is mandatory for the tobaccos produced under marketing quotas. The 1964-crop overall price support levels, announced January 16, are 1 percent above 1963 as determined under provisions of current law.

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